CUE CARD 2010–2011

Hydro-Québec generates, transmits and distributes electricity, mainly using renewable energy sources, in particular hydroelectricity. Its transmission and distribution activities are regulated by the Régie de l'énergie. To meet growing demand, it is continuing to develop hydropower, complemented by wind power purchased from independent producers. In addition, it conducts research and develops new technologies in energy-related fields. It also actively promotes energy efficiency.

Hydro-Québec's sole shareholder is the Québec government, which guarantees most of its borrowings.

MAJOR ASSETS

Water used to generate **98%** of output

26 large reservoirs with a storage capacity of **175 TWh**

36,671 MW in installed capacity

Average cost of **2.14¢** per kilowatthour

Rates among the lowest in North America

KEY STATISTICS[1]

Years ended December 31 (in millions of $)	2010	2009	2008	2007	2006
Revenue	**12,338**	12,333	12,716	12,326	11,162
Expenditure					
Operations	**2,581**	2,527	2,503	2,556	2,392
Electricity and fuel purchases	**1,390**	1,207	1,406	1,555	1,315
Depreciation and amortization	**2,605**	2,372	2,457	2,083	2,109
Taxes	**909**	928	1,093	820	534
Regulatory deferrals	**(188)**	30	(73)	29	(93)
	7,297	7,064	7,387	7,043	6,257
Operating income	**5,041**	5,269	5,329	5,283	4,905
Financial expenses	**2,526**	2,398	2,443	2,510	2,212
Income from continuing operations	**2,515**	2871	2886	2,773	2693
Income from discontinued operations	**–**	–	129	25	944
Restated net income*	**–**	2871	3,015	2,798	3,637
Reported net income	**2,515**	3,035	3,141	2,907	3,741
DIVIDEND	**1,886**	2,168	2,252	2,095	2,342
BALANCE SHEET SUMMARY (as at December 31)					
Reported total assets	**65,898**	68,978	66,789	64,866	63,254
Restated total assets*	**–**	64,992	62,968	61,167	59,608
Long-term debt, including current portion and perpetual debt	**38,660**	37,943	36,415	34,534	34,427
Reported equity	**18,566**	22,395	22,062	20,892	18,840
Restated equity*	**–**	18,419	18,250	17,206	15,264
INVESTMENTS FOR CONTINUING OPERATIONS AFFECTING CASH					
Property, plant and equipment and intangible assets	**4,004**	4,050	3,717	3,418	3,352
Costs related to Energy Efficiency Plan	**216**	257	236	172	149
Total investments	**4,220**	4,307	3,953	3,590	3,501
FINANCIAL RATIOS*					
Interest coverage	**1.92**	2.11	2.07	2.09	2.01
Return on equity (%)	**14.0**	16.5	18.1	17.8	24.8
Profit margin from continuing operations (%)	**20.4**	23.3	22.7	22.5	24.1
Capitalization (%)	**32.1**	32.6	33.4	33.1	31.4
Self-financing (%)	**46.8**	41.3	45.7	63.7	69.8
OTHER DATA					
Average rate increase from January 1 to December 31 (%)	**0.6**	1.6	2.7	2.8	4.3
Installed capacity (MW)[2]	**36,671**	36,813	36,432	35,654	35,322
Customer accounts (thousands)	**4,012**	3,960	3,913	3,869	3,815
Employees	**23,092**	23,090	22,916	23,069	22,587

1. Certain comparative data have been reclassified to reflect the presentation adopted for the current year.
2. In 2010, Hydro-Québec decommissioned a unit at Tracy generating station. In addition to the generating capacity of its own facilities, the company has access to almost all the output from Churchill Falls generating station (5,428 MW) under a contract with Churchill Falls (Labrador) Corporation Limited that will remain in effect until 2041. It also purchases all the output from nine privately owned wind farms with a total installed capacity of 659 MW. Moreover, 1,277 MW are available under agreements with other independent suppliers.

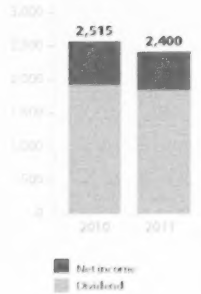
* The comparative data include adjustments relating to continuing operations and stemming mainly from the change in the accounting policy regarding the depreciation method for property, plant and equipment. This change is described in Note 2 to the consolidated financial statements in Hydro-Québec's *Annual Report 2010*.

HIGHLIGHTS 2010

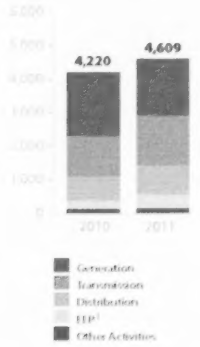
- H.Q. Energy Services (U.S.) Inc., a subsidiary of Hydro-Québec, Green Mountain Power and Central Vermont Public Service signed a 225-MW agreement that will run from 2012 to 2038. Since June 2010, Vermont has recognized hydropower as a clean, renewable energy source.
- A transmission service agreement was signed by Hydro Renewable Energy Inc. (HRE), a subsidiary of Hydro-Québec, and Northern Pass Transmission LLC, which is owned by Northeast Utilities and NSTAR, two American power distributors. HRE thus would obtain transmission rights on a 1,200-MW line connecting the Canada–U.S. border and New Hampshire.

2011 FINANCIAL OUTLOOK

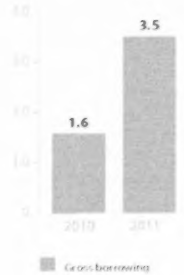
NET INCOME AND DIVIDEND
(in millions of C$)



INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND THE EEP[1]
(in millions of C$)



FINANCING NEEDS
(in billions of C$)



Our borrowing programs will begin to grow in 2011, and will total approximately $3.3 billion in each of the next three years, while investments will be around $5.0 billion annually over the same period.

1. Energy Efficiency Plan.

HYDRO-QUÉBEC: A QUALITY INVESTMENT

Security	Characteristics of the Debt (December 31, 2010)
Unconditional and irrevocable guarantee by the Québec government on most of Hydro-Québec's debt (debentures, medium-term notes, commercial paper)	Average term: 19.1 years Fixed rate: 86.0% Floating rate: 14.0% Breakdown by repayment currency: C$95.2% US$4.8%

Credit Ratings (December 31, 2010)

	Long-term debt	Commercial paper
Moody's	Aa2 stable	P-1
Standard & Poor's	A+	A-1+
Fitch Ratings	AA– stable	F1+
DBRS	A (high) stable	R-1 (middle)

For more information, please consult our Web site: **www.hydroquebec.com/financing**
You can also contact the Investor Relations team by e-mail: **rel.inv@hydro.qc.ca**

March 2011

Hydro Québec